

Implementation of the Principles for Responsible Investment & Engagement Report - 2011

For January 1, 2011 to December 31, 2011

As an institutional investor, TD Asset Management (TDAM) has a duty to act in the best interest of our clients. In this fiduciary role, we believe that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios to varying degrees across companies, sectors, regions, asset classes and time periods.

In 2008, TDAM became a signatory to the Principles for Responsible Investment (PRI, 'the Principles'). The six Principles were developed by an international group of institutional investors to reflect the increasing relevance of environmental, social and corporate governance issues to investment practices.

The sixth Principle commits signatories to report on their activities and progress towards implementing the Principles. The following summarizes the actions TDAM took to put the Principles into practice during the year ending December 31, 2011. A report on our activities in 2010 and 2009 is also available upon request.

1. We will incorporate ESG issues into investment analysis and decision-making processes.

In April of 2009 TDAM adopted its Sustainable Investment Policy, which describes how we approach ESG issues as part of our decision making process.

[http://www.tdaminstitutional.com/tmi/pdfs/Sustainable Investing Policy - April 2009.pdf](http://www.tdaminstitutional.com/tmi/pdfs/Sustainable_Investing_Policy_-_April_2009.pdf)

In late 2009 we finalized our proprietary sustainability matrix to help inform our investment decisions. Our sustainability matrix is managed internally and draws data from Asset4, the industry's most in-depth coverage of transparent, objective and auditable ESG information. In addition, we also use the services of traditional brokers, who provide different perspectives through their ESG teams.

Our sustainability matrix gives us a snapshot of how companies are managing ESG issues, as an additional metric for investment managers to consider. It also helps us identify trends across different regions, and identify leaders and laggards for a given initiative, such as carbon or water disclosure. TDAM also incorporates company-specific ESG research into our research database portal, allowing it to be shared across the firm.

During 2011, TDAM's internal team continued to provide TDAM portfolio managers and analysts with ESG scoring driven by our matrix. These scores often spark in-depth discussions about the companies in which we invest. The matrix has helped facilitate formal internal research presentations and debates on water and related agriculture issues.

The TDAM Fixed Income team has always considered ESG factors in its credit risk process, and during 2011 we began the process of more formally understanding and integrating these factors into the annual credit

review reports. The increasing awareness has led to more in-depth discussion and debate at weekly Credit Committee meetings, around the potential short and long term risks associated with these factors, and the possible impact they could have on TDAM Internal Credit Ratings.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

Engaging with companies in appropriate situations is an important part of being an active owner. We focus on companies where we can have the greatest impact, and on the issues that we consider to be the key drivers of financial value. We engage companies, where appropriate, on ESG issues and participate in collaborative engagement initiatives. We prefer to have ongoing discussions with companies privately rather than through the press or other public outlets. As an example, in 2011 we engaged with an energy company to better understand how they were dealing with an important environmental issue and how they were engaging with stakeholders in respect of new projects.

Voting by proxy at shareholder meetings is one way that we act as an active owner. During 2011, in addition to supporting shareholder proposals on governance issues, we supported over 50 shareholder proposals on environmental and social issues. On the environmental side, they included proposals seeking disclosure about environmental risk reduction efforts, spill mitigation efforts for offshore oil wells, coal ash, coal reliance, hydraulic fracturing, oil sands activities, sustainable paper purchasing, waste recycling, the use of Bisphenol A, the effects of climate change, and overall sustainability reporting.

We have noticed that 'E&S' proposals which we supported in previous years, such as sustainability reporting, are decreasing as more companies implement regular disclosure. In their place, we are seeing, and are increasingly voting for, proposals going beyond disclosure. For example, in 2011 we continued to support shareholder proposals asking companies to set a quantitative target for reducing their greenhouse gas emissions. We also supported shareholder proposals asking that the board of directors include at least one independent director with environmental expertise. Often, E&S proposals that we would support are withdrawn by the proponents after their discussions with management.

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Sound risk management requires proper disclosure by public companies. Securities law requires companies to disclose what in their view would be relevant to a hypothetical reasonable investor. Periodically, we may ask a company to disclose more information in order to conduct a more complete assessment of ESG issues.

TDAM also participates in initiatives like the investor portion of the Carbon Disclosure Project (CDP) and the CDP Water Disclosure initiative (CDPW). CDP's goal is to accelerate solutions to climate change by putting relevant information at the center of business and investment decisions. On behalf of the participating investors, an annual request for information is sent to over 3,000 companies worldwide asking how the companies are managing the risks and opportunities that climate change poses for their operations. The questionnaire also seeks quantitative information on issues such as energy use and greenhouse gas emissions. CDPW's goal is to make meaningful, systematic and comparable reporting on water a standard

corporate practice globally, enabling investors, companies and others to put this data at the heart of their decision making.

In 2011, TDAM joined with other CDP members to engage with specific reporting companies and encourage better disclosure. In the case of CDP Water, TDAM engaged with another company to improve the questionnaire. TDAM also participated in Carbon Action, an initiative to encourage companies to invest in emission reduction activities with a satisfactory payback period.

4. We will promote acceptance and implementation of the Principles within the investment industry.

In 2011, we continued to ask our sub-advisors how they are integrating ESG issues into their investment analysis. If they are not doing so, we ask how they take into account the impact of ESG issues on long-term shareholder value.

We also met regularly with brokers who provide research on ESG issues. These meetings offer an opportunity to share ideas along with building a network within the sustainability industry. We supported an increase in the amount of ESG research available to investors, by allocating additional broker votes to those firms who are active in the space.

During 2011, TDAM collaborated with the Toronto Stock Exchange, the Ontario Securities Commission, the Alberta Securities Commission and the British Columbia Securities Commission to design and deliver workshops for Canadian public companies in Toronto, Calgary and Vancouver about proper environmental and social disclosure. The workshops were well-received in all three cities. TDAM was especially active on the important issue of materiality.

TDAM also joined other UN PRI signatories in the Sustainable Stock Exchange initiative which encouraged exchanges to seek better sustainability disclosure from their constituents. TDAM joined other investors in meeting with the TMX to discuss their response to the initiative.

5. We will work with others to enhance our effectiveness in implementing the Principles.

We take part in several initiatives that make collective action easier, including CDP, CDPW and the Canadian Coalition for Good Governance (CCGG).

The mission of the CCGG is to promote good governance practices in Canadian public companies and the improvement of the regulatory environment to best align the interests of boards and management with those of their shareholders, and to promote the efficiency and effectiveness of the Canadian capital markets. One objective of the CCGG is to work with companies and policy makers to ensure that Canadian public companies have sound governance practices and a sound regulatory framework. In 2011, on behalf of the CCGG members, including TDAM, CCGG staff engaged with approximately 57 Canadian companies on a range of governance issues. TDAM's CEO is a member of CCGG's Board of Directors.

6. We will report on our activities and progress towards implementing the Principles.

In addition to extensive reporting that we provide to the PRI secretariat, we have prepared this report to help you understand how our activities during 2011 were connected to the Principles. The Proxy voting reports available at www.tdassetmanagement.com, disclose how we voted at company meetings on ESG issues during the twelve-month period ended June 30

About TD Asset Management:

TD Asset Management operates in Canada as TD Asset Management Inc. and in the United States as TDAM USA Inc. TD Asset Management is a highly diversified investment manager with leading market positions in active, quantitative and passive portfolio management. Both TD Asset Management Inc. and TDAM USA Inc. are wholly-owned subsidiaries of The Toronto-Dominion Bank.

®/ The TD logo and other trade-marks are the property of The Toronto-Dominion Bank or a wholly-owned subsidiary, in Canada and/or other countries.